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ARAB STATES - ISRAEL: Efforts to reopen the Egyptian-Israeli talks continued over the weekend, while at the same time UN sources reported signs around Ismailia of possible Egyptian preparations for renewed attacks. Cease-fire violations, however, dropped over the last two days and, with one exception on the Syrian front, were generally minor.

UN observers reported unusually large movements of Egyptian troops and equipment toward the Suez front yesterday.

Attempts to contact the senior Egyptian liaison officer yesterday were thwarted when UN officials were told he was attending a large, hastily convened meeting in Ismailia.

Cairo newspapers continue to stress Egypt's ability and will to fight if Israel persists in "violating" international agreements, particularly the six-point cease-fire accord. The semi-official paper Al Ahram warned that "Israel is mistaken to think that there is an alternative to the resumption of fighting in order to implement all provisions of the cease-fire arrangements." Other papers warned of renewed fighting if Israel continues on the same path.

UNEF Commander Siilasvuo met late yesterday in Cairo with Egyptian Minister of War Ismail after conferring earlier in the day with Israeli Defense Minister Dayan in Jerusalem to explore ways to reopen the disengagement talks broken off on 29 November. Following the Jerusalem meeting, which Siilasvuo termed "useful," Dayan issued a statement expressing

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Israel's willingness to resume talks whenever Egypt is ready. He noted that Israel's negotiator, General Yariv, would be prepared with "instructions from the government and will be able to submit them to the Egyptians." No statement was issued after the Siilasvuo-Ismail talks.

Several cease-fire violations were reported along the Syrian and Egyptian fronts yesterday. In the most serious, Damascus claims to have destroyed an Israeli engineering unit, three tanks, a bulldozer, and an ammunition dump during a three to four-hour battle. The Israelis contend that the clash was sparked when the Syrians fired on a tractor working in an area very near the Israeli forward line. The Syrians reportedly employed small arms, artillery, and tank fire, as well as anti-tank missiles. An Israeli spokesman said that two Israeli soldiers were wounded, but they neither confirmed nor denied the Syrian claims.

Several probably related clashes occurred between Israeli and fedayeen forces along the Lebanese border over the weekend, touched off by fedayeen shelling of an Israeli settlement and a military position.

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JORDAN: Prospects for Jordan's participation in a Middle East peace conference have brightened as a result of King Husayn's temporizing request for a "clarification" of the Palestinian representation issue.

The King's expectations of representing West Bank residents as citizens of Jordan at the Geneva peace conference suffered a setback early in the week when the Arab summit conference in Algiers ignored his warning and designated the Palestine Liberation Organization (PLO) as the sole international bargaining agent for Palestinian interests. This decision activated Husayn's threat to boycott the peace conference, as he had the summit proceedings, but his position has now been modified.

In a speech to Jordan's National Assembly on 1 December, Husayn:

--laid primary emphasis on his standing requirement that any Arab-Israeli settlement be a comprehensive one jointly and simultaneously agreed to by all nations concerned, and include Israeli withdrawal from all occupied Arab territories; he ruled out "withdrawal from any part," such as the Sinai, "at the expense of any other part," such as the West Bank of the Jordan.

--reiterated his willingness to allow self-determination by West Bank residents "after we perform our duty of liberating the West Bank and Jerusalem" and other Arab lands. To this end, he formally proposed a UN-administered referendum and pledged that whatever the outcome--a unified Jordan, a confederation, or separate states--"we shall be their noble brothers."

--withheld his decision on attending a Geneva conference, pending clarification from "brotherly Arab quarters" of his own responsibilities for the restoration of Palestinian lands and rights. Although he promised to "shoulder our responsibilities...in every international arena,"

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he would not "compete with anybody" if Jordan were excluded from representing Palestinian interests.

Husayn's statements can be read as an appeal to Egyptian President Sadat for reassurance that no separate deals will be made with Israel at Jordan's expense and for some solution of the Palestinian representation issue that would permit Jordan's acceptance of a peace conference seat.

The US Embassy in Amman believes Husayn will do his utmost to strike a direct bargain with the PLO that will allow him to go to Geneva. A prominent West Bank politician assured an embassy officer shortly after Husayn made his speech that talks with the PLO were already under way and were likely to succeed. [REDACTED]

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USSR - MIDDLE EAST: Moscow is displaying heightened concern over the Middle East situation, but appears to expect the current cease-fire to hold.

Pravda launched its toughest attack on Israel in several weeks last Friday, accusing Tel Aviv of trying to pursue its pre-October course and of placing every possible obstacle in the way of a political settlement. The following day, Moscow radio gave its tacit approval to Cairo's decision to break off the talks at Kilometer 101 and warned of a sharp increase in tensions caused by Israeli activity. A Soviet official in Cairo, however, has expressed no special concern over the breakdown of the talks and has acknowledged that Soviet dependents are returning to Egypt.

What is especially nettlesome to the USSR at this juncture is the budding US-Egyptian relationship. Soviet officials in Cairo have questioned both US visitors and the Egyptian Foreign Ministry about relations between Cairo and Washington.

In response to the Soviet demarches, and in an apparent effort to ensure that Egypt's major source of military equipment is not cut off at this critical juncture, the Egyptians are demonstrating overt gratitude and affection for the USSR. In Friday's Al Ahram, for example, influential editor Haykal termed the Soviet-Egyptian relationship "vital and irreplaceable for Arab peace." He wrote that relations with the US should not be permitted to diminish the Soviet role.

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SOUTH KOREA: The ouster of Korean CIA chief Yi Hu-rak in a cabinet reshuffle announced today is the government's most serious effort to defuse unrest among students and intellectuals.

The CIA chief has been the target of intense criticism for his agency's role in the kidnaping of opposition political leader Kim Tae-chung in Tokyo last August, for its pervasive surveillance on university campuses, and for its involvement in the recent "suicide" death of a professor while under interrogation. Yi was replaced by Justice Minister Sin Chik-su, a close associate of President Pak and a former vice director of the Agency. Sin is likely to be considerably less controversial than his predecessor.

The handling of Yi's removal will go a long way toward easing the domestic situation. The government admitted, for example, that it had accepted his resignation and those of six other cabinet officers so they could "assume responsibility" for the "unfortunate" recent incidents at home and abroad. Anticipating that the students would demand further concessions, the government delayed its announcement until all the nation's schools had closed for the three-month winter vacation.

The political balance among President Pak's chief lieutenants has been changed by Yi's ouster since Prime Minister Kim Chong-pil--Yi's principal rival--has retained his position. Yi, as a personal friend, is nonetheless likely to retain considerable influence with the president.

Yi also resigned as chief of Seoul's delegation to the South-North Coordinating Committee. Pyongyang has been demanding his removal from that position since August. Now that Yi has left the committee, a major impediment to a resumption of the North-South dialogue has been lifted. Yi's loss of his CIA job and the other cabinet changes do not seem to be an outgrowth of North-South relations, however.

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Several of the other cabinet changes have been rumored for some time, particularly those in the defense and the foreign affairs portfolios. Foreign Minister Kim Yong-shik has been demoted to the Ministry of National Unification and replaced by the present ambassador to the US, who has been a persist target of the Korean CIA. The Defense Ministry has been assumed by Chief of Staff So Yong-chol, an experienced officer with close ties to the president. The remaining changes bring few new faces into the government and reflect some needed readjustments since the last major reshuffle in June 1971. [REDACTED]

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NORTH KOREA - SOUTH KOREA: Pyongyang's claim to the territorial waters surrounding the islands held by the UN Command off the west coast has added a new dimension to the tense situation along the Northern Limit Line--the unofficial seaward extension of the DMZ. Seoul has placed its air and naval forces on "standby alert" in response to this claim, although South Korean officials have stressed that there has not been any significant increase in the military readiness of their forces.

Pyongyang's claim was aired by the Military Armistice Commission meeting on 1 December. North Korean officials made it clear that their recent naval activity south of the limit line was undertaken to establish the basis of their claim. Pyongyang appears intent on raising the question of the future status of the islands as well as securing unimpeded passage for vessels into Haeju, a port which is becoming a major maritime base. The North Koreans give every indication of persisting with their claim, despite the high risk that it could cause an incident with South Korea.

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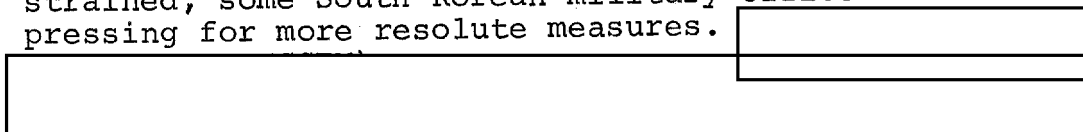


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Pyongyang's claim to the waters surrounding the islands raise complicated legal questions that probably will have to be resolved between the two Koreas, a solution that Seoul is likely to resist. The status of the islands, however, is one involving South Korean security and, hence, the UN Command. Thus far, Seoul has been content with maintaining its territorial claim to the islands with routine patrol activity in the area. Although the South Korean response to North Korean activities has been cautious and restrained, some South Korean military officers are pressing for more resolute measures.

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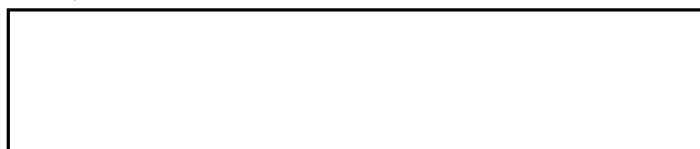
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GREECE-CYPRUS: The Greek Government is settling in with military police chief Ioannidis clearly calling the shots

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One of Ioannidis' major problems is to restore discipline in the army. Some of the younger officers are more militant than Ioannidis himself in such matters as rooting out Papadopoulos' supporters or purging the army ranks of senior officers involved in corruption. Early retirements have also brought about some disruption in army effectiveness.

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The initial euphoria with which Athens greeted the coup has been dissipating quickly as the implications of the Prime Minister's recent statement that the government would rule indefinitely by decree sink in. Praise for the government has been scarce, and some leading politicians of the left and center have spoken out against it. The press has been warned not to criticize the government, and one paper has been closed for publishing a statement by Ioannidis' former colleague in the 1967 coup, retired Colonel Dimitrios Stametelopoulos, which praised the coup but called for the restoration of constitutional order as soon as possible. Ioannidis had earlier ruled out asking any of his former revolutionary colleagues to join the government, specifically rejecting Stametelopoulos as having become too political a personality since his departure from the Papadopoulos government in 1968.

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The coup has had its impact on Cyprus, where Archbishop Makarios, believing Ioannidis to be hostile toward him, is planning what he described as a gradual and calculated withdrawal from Greek problems. He also intends to increase the strength of the Cyprus internal security services and procure the necessary arms and equipment. Makarios must feel himself in a particularly sensitive position in regard to the new Greek Government; not only have key figures in the new government had connections with his arch-rival General Grivas in the past, but earlier this year he had turned down General Gizikis, who is now President of Greece, as commander of the National Guard on Cyprus. Although the new Greek Government has taken an official position in support of the intercommunal talks, Makarios must be apprehensive about the government's long-range intentions.

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Meanwhile in a display of confidence, the government has announced that all universities will reopen today. Since martial law is in effect and some student leaders still are under arrest or in hiding, the risk of further student demonstrations is probably not as great as it might be; in any case, the government can be expected to deal harshly with any student demonstration.

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USSR-FRANCE: Signs of strain are on the rise as each side reassesses the value of the two countries' "special relationship."

Moscow's failure to engage in any meaningful consultations with Paris during the Middle East crisis has apparently touched off the latest discord. More fundamental, however, is France's public concern over the alleged US-Soviet "condominium" and Soviet dislike for Paris' moves to enhance EC unity and to upgrade West European political and defense cooperation. The Soviet first secretary in Paris, for example, has privately expressed considerable apprehension over France's EC policy and especially its military implications, such as Foreign Minister Jobert's advocacy of a common European defense.

Soviet party leader Brezhnev met with French Communist Party leader Marchais for two days in mid-November, and Marchais has since been exceptionally active in attacking government policy, even publishing a letter with a rare denunciation of President Pompidou by name and accusing him of moving toward "a sub-bloc dependent on the Atlantic bloc." The French have indicated that they regard the Marchais letter as a strong Soviet warning and note that Soviet diplomats in Paris in recent weeks have been making representations along the same line.

Nevertheless, a fourth Brezhnev-Pompidou summit is likely early next year, probably in February in the USSR rather than January as a number of earlier reports had maintained. This week Soviet Foreign Trade Minister Patolichev will go to Paris for several days of commercial talks during which contracts for French construction of ammonia plants in the USSR may be signed. French Armed Forces Minister Galley is likely to make an official visit to the USSR shortly. Paris has been at pains to describe this visit as merely a reciprocal gesture for Defense Minister Grechko's trip to France last year and undertaken only after Galley had made calls at Western capitals. [REDACTED]

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EUROPEAN COMMUNITIES: Separate meetings today and tomorrow of the EC foreign ministers and finance ministers may make limited progress on regional policy and on economic and monetary union, but continuing differences over energy policy could threaten success.

The foreign ministers hope to approve a Regional Development Fund--politically very important to Britain, Ireland, and Italy. The French are no longer insisting that establishment of a fund be put off until the UK and Italy join the EC currency float. At last week's Brandt-Pompidou meeting in Paris, however, both leaders confirmed their support for only an initially modest fund and for restricting the geographical areas it would aid.

Prospects for dramatic movement toward economic and monetary union, including implementation of reserve pooling and strengthening short-term monetary support, are poor. A decision on whether to move on 1 January 1974 toward something that can be called the "second stage" of union--as called for at last year's summit--will probably have to await the summit of the Nine in Copenhagen on 14-15 December.

The finance ministers may approve a version of the EC Commission's watered-down anti-inflation proposals as well as proposals to intensify economic-policy consultations. France has been pushing for anti-inflation measures at the community level, but--like many of its EC partners--is now apparently more worried about the possibility of a recession. The major objective of Pompidou and his cabinet for the next few months reportedly is to prevent a recession and a consequent large increase in unemployment. Pompidou reportedly will oppose taking unpopular measures to control prices and salaries, even at the risk of allowing inflation to get the upper hand. Indeed, Pompidou told Brandt that the EC Council should prepare effective summit actions against not only inflation but also the danger of recession.

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The energy crisis, whether or not it is formally entered on the agenda, will hang heavily over the meetings. The negative results of the meeting on Saturday between Dutch and Arab officials will probably lead the Dutch to renew their demands for oil sharing within the EC (and may threaten to block progress on other EC matters.) The French would prefer to defer consideration of energy matters until after the Copenhagen summit, presumably so that any contemplated community oil measures can be discussed at the same time as Paris' plan for a uranium enrichment plant. Brandt, however, wants to prepare for the summit and seek possible solutions for "short-term problems." Demands that the EC take action on the energy problem have become part of Brandt's new efforts to dramatize the energy crisis and Bonn's role in coping with it.

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FINLAND: The government reportedly intends to ease its rules on trade with the USSR and Eastern Europe by the end of this year. It will remove discriminatory quantitative restrictions on imports from that area of products not similarly restricted when of EC origin and not included in Helsinki's policy of protecting its trade with other countries. Involved are 55 Soviet products and perhaps 85 to 90 from the other Eastern bloc states [REDACTED]

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DENMARK: The voters appear poised to give the Social Democrats their worst setback in party history in tomorrow's off-year election.

Characterized as a middle class revolt, the campaign has centered around the fundamental issues of Denmark's swollen government and leftist-oriented socialism. Two new parties--Mogens Glistrup's anti-tax Progressive Party and Erhard Jakobsen's Center Democratic Party--are the likely spoilers, capitalizing on widespread dissatisfaction over taxes and inflation.

The three nonsocialist opposition parties--the Conservatives, Moderate Liberals, and Radical Liberals--may also lose votes to the newcomers. Glistrup's campaign against burgeoning welfarism and bureaucratic incompetence may have strong appeal to Danish conservatives. The Center Democrats, an off-shoot of the governing Social Democrats, count a number of experienced politicians from nearly all traditional Danish parties within their ranks. Furthermore, their objective of checking the radical trend of Danish socialism probably gives the Center Democrats broad general appeal.

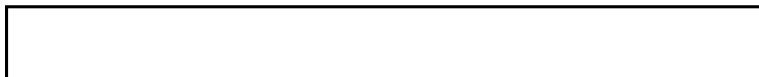
If the polls are correct, no party will win a majority and there is a possibility that the votes will be so dispersed that the formation of a viable government will prove difficult and a lengthy interregnum will ensue. The most likely government to emerge over the long run is a four-party coalition of the three old nonsocialist parties and the new Center Democrats. The Danish Communists are expected to win representation in parliament for the first time since 1960.

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FOR THE RECORD*

Libya-Egypt: Libya has closed its diplomatic office in Cairo and recalled its personnel. The decision was apparently taken several days ago, but was not noted in the Cairo press until yesterday. There has been no indication that Egyptian diplomats have been asked to leave or are being withdrawn from Tripoli. In what may be an effort at mediation, Syrian President Asad, according to press reports, has dispatched a cabinet minister to Tripoli with a message to President Qadhafi "dealing with safeguarding unity in Arab ranks." [REDACTED]

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Romania: After an overnight stop at Algiers, Romanian President Ceausescu will arrive in the US today to begin a state visit. Ceausescu reportedly invited himself to Algeria at the last minute to explain why Romania refused the Arabs' request to break relations with Israel. Ceausescu's emissaries received a "cool" reception during their recent tour of Arab capitals. [REDACTED]

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**These items were prepared by CIA without consultation with the Departments of State and Defense.*

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